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SUBJECT: FCC AND ARCEP COMMISSIONERS DISCUSS NEXT GENERATION NETWORKS AND UPCOMING TELECOM ISSUES

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¶1. (SBU) Summary: Federal Communications Commissioner Deborah Tate discussed telecommunications regulatory issues with her French counterpart telecommunications regulator Autorite de Regulation des Communication Electronique et des Postes (ARCEP) Commissioner Gabrielle Gauthey on November 10. Gauthey said that France compensated for its relatively low cable penetration rates by offering pay television and other high-value added telecommunication services through its phone lines. "Triple play" offers with long distance telephone service, broadband, and television were among the cheapest in the world at USD 36.50 a month. Investment in fiber networks was increasing, however, with France Telecom's competitors investing as much as the incumbent. ARCEP coordinates regularly with France's broadcast regulator and other EU member states. End summary.

¶2. (U) On November 10, Federal Communications Commissioner Deborah Tate met with her French counterpart telecommunications regulator Autorite de Regulation des Communication Electronique et des Postes (ARCEP) Commissioner Gabrielle Gauthey on competition in the telecommunication industry, next generation networks, European coordination, and universal service. ARCEP International Relations Chief Joel Voisin-Ratelle, FCC Western Europe Advisor Tracey Weisler, and econoff also attended.

¶3. (SBU) According to Gauthey, cable was relatively undeveloped in France, with only a five percent penetration rate. However, French telecom firms provided "triple play" long distance telecom, broadband ADSL internet services, and television services over the telecom network. Competition was robust, with many companies charging 30 euros (USD 36.50) per month, among the lowest rates in the world. Seventeen percent of French residents obtain their telephone services over the internet (VOIP). All of France Telecom's competitors comprise about 50 percent of all telecommunications networks. Many of these competitors have changed their business model from renting capacity from France Telecom to building their own capacity. That said, local loop unbundling does not take place in all regions of France. In rural areas, consumers can only gain access to two to eight megabits, which is not enough for video.

¶4. (SBU) Cable was weak in France for several reasons, Gauthey explained. France Telecom owned France's first cable operation and intentionally did not upgrade it so that it would not cannibalize its telecommunications operations. France's efforts therefore went into developing its broadband DSL services. Unbundling the local

loop has resulted in booming competition. Nonincumbent operators such as Free and Neuf Telecom have driven innovation. ARCEP has also spurred competition through bit stream access, i.e., wholesale broadband access. Finally, France's copper network is newer than that in the U.S. and does not have to be replaced.

¶ 15. (SBU) However, France's fiber network is beginning to expand more rapidly. Telecom provider Free announced that it would invest 300 million euros (USD 375 million) by the end of 2007 to build a fiber optic network that would reach four million households. ARCEP had just issued spectrum for wimax through a "beauty contest," Gauthey said. ARCEP used three criteria to evaluate the packages assembled by telecommunication companies: price, territorial coverage, and bit stream or broadband coverage. In total, 14 regional governments applied for a license to ensure their region had adequate coverage, and six obtained one, in addition to private companies.

¶ 16. (SBU) Gauthey said that in recent years, universal service has become a less "talked-about" subject, even though the GOF has not yet decided whether next generation networks should contribute to the universal service fund. Telecom service providers pay directly into this fund, and it does not appear as a separate item on phone bills as in the U.S. Since France Telecom is the recipient of the universal service fund, it is supportive of the expansion of its coverage to broadband.

¶ 17. (U) European Union (EU) member state telecommunication regulators met regularly to coordinate policy, Gauthey said. The group is discussing appropriate ways to harmonize regulation and whether to harmonize termination rates. It is also reviewing the entire EU telecommunications framework in preparation for new directives that the Commission will issue next year. In addition, the European Commission is active in deciding whether incumbent telecommunication providers are dominant players that are abusing their market power. If so, each regulatory has a toolbox of remedies.

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¶ 18. (SBU) Commissioner Tate noted that, in the U.S., the FCC was discussing how to manage termination fees mobile phone companies impose on consumers when they terminate service before the end of a fixed contract. Gauthey noted that the EU was also debating such fees, particularly the need to harmonize them. However, the Conseil de la Concurrence (Competition Council), not ARCEP, was managing this issue.

¶ 19. (SBU) Gauthey explained that, while ARCEP was in charge of frequency allocation and telecommunications industry oversight, another French agency, Conseil Supérieur de l'Audiovisuel (CSA), oversaw the broadcasting industry and its allocated spectrum. Rumors have persisted about a merger between the two agencies, but their functions were discrete. Two ARCEP commissioners meet with two CSA commissioners every month to coordinate on overlapping issues and issue joint recommendations. Two issues they discuss are spectrum usage and the "digital dividend" or what to do with spectrum earmarked for analog broadcasters after television and radio switch over to digital transmissions. She said that the two also worked together to pass laws against child pornography and hate content on the internet, but CSA does not, in general, want to regulate content. Commissioner Tate responded that the FCC is very considerate of protecting children through ensuring transmission of appropriate programs. Congress has allowed fines to increase tenfold. However, FCC looks into indecent programming only upon the receipt of a complaint.

¶ 10. (U) FCC cleared this message.

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